

Section II
Schedule of Findings and Questioned Costs



THIS PAGE LEFT INTENTIONALLY BLANK

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003**

I. Summary of Auditor's Results

We have audited the financial statements of the Commonwealth of Massachusetts as of and for the year ended June 30, 2003 and have issued our reports thereon dated December 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and with the requirements of the *U.S. Office of Management and Budget (OMB) Circular A-133*. The results of our audit are as follows:

Type of Report Issued on the Financial Statements: Unqualified opinion

Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements: Yes

Material Noncompliance Disclosed by the Audit of the Financial Statements: No

Reportable Conditions in Internal Control over Major Programs: Yes

Type of Report Issued on Compliance for Major Programs: Qualified opinion

Audit Findings Required to be Reported under Section .510(a) of OMB Circular A-133: Yes

Major Programs Funding Source	Program	CFDA No.
Agriculture	Food Stamps Program	10.551(a)
Agriculture	State Admin. Matching-Food Stamps	10.561(a)
Agriculture	School Breakfast Program	10.553(b)
Agriculture	National School Lunch Program	10.555(b)
Agriculture	Special Milk Program for Children	10.556(b)
Agriculture	Summer Food Service Program	10.559(b)
Agriculture	WIC Program	10.557
Agriculture	Child & Adult Food Care Program	10.558
Housing & Urban Development	Section 8 Housing Choice Vouchers	14.871
Housing & Urban Development	Community Development Block Grants	14.228
Justice	Juvenile Accountability Incentive Block Grants	16.523
Justice	Byrne Formula Grant Program	16.579
Transportation	Highway Planning & Construction	20.205
Education	Title I Program	84.010
Education	Special Education-State Grants	84.027(c)
Education	Special Education-Preschool Grants	84.173(c)
Education	Rehabilitation Services	84.126
Education	Improving Teacher Quality – State Grants	84.367
Education	FSEOG Program	84.007(d)
Education	FFEL Program	84.032(d)
Education	Federal Work-Study Program	84.033(d)
Education	Federal Perkins Loan Program	84.038(d)
Education	Federal Pell Grant Program	84.063(d)
Education	Federal Direct Loan Program	84.268(d)

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003**

I. Summary of Auditor's Results Continued

Health & Human Services	HEAL Program	93.108(d)
Health & Human Services	HPSL Program	93.342(d)
Health & Human Services	Nursing Student Loan Program	93.364(d)
Health & Human Services	EFNS Program	93.820(d)
Health & Human Services	Special Programs for the Aging, Title III, Part B	93.044(e)
Health & Human Services	Special Programs for the Aging, Title III, Part C	93.045(e)
Health & Human Services	Childhood Immunization Grants	93.268
Health & Human Services	Child Support Enforcement Program	93.563
Health & Human Services	TANF Block Grant	93.558
Health & Human Services	LIHEAP	93.568
Health & Human Services	Foster Care Program	93.658
Health & Human Services	Social Services Block Grant	93.667
Health & Human Services	State Children's Insurance Program	93.767
Health & Human Services	Medical Assistance Program	93.778(f)
Health & Human Services	State Medicaid Fraud Control Units	93.775(f)
Health & Human Services	State Survey and Certification of Health Care Providers and Suppliers	93.777(f)
Health & Human Services	SAPT Block Grant	93.959
Social Security Administration	Disability Insurance	96.001 (g)
Social Security Administration	Supplemental Security Income	96.006 (g)
(a) Cluster of Programs	(e) Cluster of Programs	
(b) Cluster of Programs	(f) Cluster of Programs	
(c) Cluster of Programs	(g) Cluster of Programs	
(d) Cluster of Programs		

Dollar Threshold Used to Distinguish Type A and Type B Programs: \$30,000,000

Qualification of Auditee as a Low-Risk Auditee: No

Introduction

The findings and recommendations detailed in Sections IV and V of this volume, and summarized in the schedule below, have been reviewed with representatives of the departments from which the observations arose and with representatives from the Office of the Comptroller. In order to assist the reader in understanding both the departmental compliance with laws and regulations and the adequacy of the internal control structure, the findings have been grouped by department and categorized as to whether they concern the department's federal program compliance or the internal control structure used in administering federal award programs. *(Part III of this Schedule)*

In addition, the findings concerning compliance with Massachusetts General Laws and on the internal control structure based on the study and evaluation of the accounting system as part of the examination of the General Purpose Financial Statements contained in the Comprehensive Annual Financial Reports (CAFR), are summarized below in Part II and detailed in Section IV.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003**

I. Summary of Auditor's Results Continued

At the end of each finding involving federal programs, detailed in Section V, is a parenthetical disclosure indicating the federal agency or agencies providing the funding for the program(s) to which the finding is applicable and the applicable Catalog of Federal Domestic Assistance number(s).

Corrective action plans and/or departmental responses to the findings and recommendations have been provided by the department's representatives and reflect plans and responses as of December 31, 2003.

In the event a finding is repeated from the prior Single Audit report or a report prepared in prior years by other auditors performing audits of federal programs, the parenthetical disclosure at the end of the finding also indicates the year the finding first was reported, the finding number in the most recently issued prior report and, if applicable, the federal audit agency issuing the report so that the reader may cross-reference the current finding to the prior reports.

Under a cooperative agreement for the Commonwealth's Single Audit, the Office of the State Auditor, in order to provide the necessary audit coverage for the student financial assistance programs not audited by independent accounting firms and to assist in the audit of major programs, conducted the audit procedures at three Commonwealth institutions of higher education and four departments. While the findings resulting from these audits are incorporated in this report, the Office of the State Auditor will also issue its own separate reports with the results of these audits.

Questioned Costs as a Result of the Fiscal Year 2003 Statewide Single Audit

The study and evaluation of the various departments' compliance with laws and regulations resulted in the identification of questioned costs totaling \$14,071,186. For those instances where costs were questioned, the specific costs have been identified in findings reported on the following pages.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003**

II. Findings Related to the Financial Statements

<u>Reportable Conditions</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
Oversight of the Owner Controlled Insurance Program Needs to be Improved. <i>(Finding No. 6 – Massachusetts Highway Department)</i>	-	-
Debt management operations-failure to follow-up and correct previously identified internal control deficiencies. <i>(Finding No. 15 – Office of the State Treasurer)</i>	-	-
<u>Noncompliance Findings</u>		
Employers not assessed penalties for not filing required returns. <i>(Finding No. 1 – Division of Employment and Training)</i>	-	-
Late or not recording of fixed assets. <i>(Finding No. 2 - Department of Fire Services, No. 4 – Department of Public Health, No. 7 – Massachusetts Highway Department, No. 10 – Department of Fisheries, Wildlife and Environmental Law, No. 14 –State Reclamation Board)</i>	-	-
Collection of accounts receivable needs improvement. <i>(Finding No. 3 – Department of Mental Retardation)</i>	-	-
Inability to provide supporting documentation for accounts receivable. <i>(Finding No. 5 – Department of Public Health)</i>	-	-
Internal controls over fixed assets needs improvement. <i>(Finding No. 8 - Department of Social Services)</i>	-	-
Payroll certifications not completed. <i>(Finding No. 9 – Department of Social Services)</i>	-	-
Non-GAAP fixed asset accounting and reporting needs improvement. <i>(Finding No. 11 – Massachusetts Rehabilitation Commission, No. 13 – Department of Housing and Community Development)</i>	-	-
Business continuity plan not implemented. <i>(Finding No. 12– Massachusetts Rehabilitation Commission)</i>	-	-

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2003

II. Findings Related to the Financial Statements

<u>Noncompliance Findings</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
Improvements needed in the reconciliation of College records to the Commonwealth's accounts receivable subsystem. (<i>Finding No. 16 – Massasoit Community College, No. 18 – Salem State College</i>)	-	-
Non-appropriated fund activity and balances not reconciled monthly. (<i>Finding No. 17 – Roxbury Community College</i>)	-	-

III. Findings and Questioned Costs for Federal Awards

<u>Material Weaknesses</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
Executive Office review and federal investigation of Byrne Formula Grant activities. (<i>Finding No. 28 – Executive Office of Public Safety/ Committee on Criminal Justice</i>)	\$10,999,270	Byrne Formula Grant Program 16.579
<u>Reportable Conditions</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
The recording of aged accounts receivable needs to be reviewed on a more timelier basis. (<i>Finding No. 31 – Division of Medical Assistance</i>)	-	Medical Assistance Program 93.778
A report on a service organization's internal controls is needed. (<i>Finding No. 32 – Division of Medical Assistance</i>)	-	Medical Assistance Program 93.778
Controls over FamilyNet and home licensing report data need improvement. (<i>Finding No. 54 – Department of Social Services</i>)	-	Foster Care Program 93.658
The BEACON system lacks the appropriate segregation of duties. (<i>Finding No. 63 – Department of Transitional Assistance</i>)	-	Temporary Assistance to Needy Families 93.558; Food Stamps Program 10.551
Roxbury Community College administration needs improvement. (<i>Finding No. 67 – Roxbury Community College</i>)	-	Federal Pell Grant Program 84.063; Federal Work-Study Program 84.033; Federal Supplemental Educational Opportunity Grants 84.007

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003**

III. Findings and Questioned Costs for Federal Awards (continued)

<u>Noncompliance Findings</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
Contract and payment vouchers not in compliance with Commonwealth policies. (<i>Finding No. 19 – Executive Office of Public Safety/ Committee on Criminal Justice</i>)	-	Byrne Formula Grant Program 16.579
Advance payments made to subrecipients. (<i>Finding No. 20 – Executive Office of Public Safety/ Committee on Criminal Justice</i>)	\$213,737	Byrne Formula Grant Program 16.579; Juvenile Accountability Incentive Block Grant 16.523
Lack of documented system for salary charges to federal programs. (<i>Finding No. 21 – Executive Office of Public Safety/ Committee on Criminal Justice, No. 35 - Department of Education</i>)	\$305,471	Title I Program 84.010; Special Education Program 84.027; Goals 2000 Program 84.276; Vocational Education Program 84.048; Safe & Drug-Free Schools & Communities 84.186; Bilingual Education Program 84.194; Education for Homeless Children & Youth 84.196; Adult Education Program 84.002; Reading Excellence 84.338; Innovative Education Program Strategies 84.298; Byrne Formula Grant Program 16.579; Juvenile Accountability Incentive Block Grant 16.523
Buyback of leave time for early retirement charged to federal funds. (<i>Finding No. 22 – Executive Office of Public Safety/ Committee on Criminal Justice</i>)	-	Byrne Formula Grant Program 16.579
Management financial approval of payment vouchers after disbursement of funds. (<i>Finding No. 23 – Executive Office of Public Safety/ Committee on Criminal Justice</i>)	-	Byrne Formula Grant Program 16.579; Juvenile Accountability Incentive Block Grant 16.523
Subrecipient monitoring needs improvement. (<i>Finding No. 24 – Executive Office of Public Safety/ Committee on Criminal Justice, No. 42 – Department of Education, No. 59 – Executive Office of Elder Affairs</i>)	-	Special Programs for the Aging, Title III, Part B 93.044; Special Programs for the Aging, Title III, Part C 93.045; Byrne Formula Grant Program 16.579; Juvenile Accountability Incentive Block Grant 16.523; Improving Teacher Quality-State Grants 84.367

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003**

III. Findings and Questioned Costs for Federal Awards (continued)

<u>Noncompliance Findings</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
Inadequate supporting documentation for expenditures. (<i>Finding No. 25 – Executive Office of Public Safety/ Committee on Criminal Justice, No. 34 – Department of Education</i>)	\$346,446	Byrne Formula Grant Program 16.579; Juvenile Accountability Incentive Block Grant 16.523; Title I Program 84.010; Improving Teacher Quality-State Grants 84.367; Child and Adult Food Care Program 10.558; National School Lunch Program 10.555
Improvements needed over reconciliations. (<i>Finding No. 26 – Executive Office of Public Safety/ Committee on Criminal Justice, No. 55 – Executive Office of Elder Affairs</i>)	-	Special Programs for the Aging, Title III, Part B 93.044; Special Programs for the Aging, Title III, Part C 93.045; Byrne Formula Grant Program 16.579; Juvenile Accountability Incentive Block Grant 16.523
Department of Justice review and recommendations for corrective action. (<i>Finding No. 27 – Executive Office of Public Safety/ Committee on Criminal Justice</i>)	-	Byrne Formula Grant Program 16.579
Additional costs included in statewide cost allocation plan. (<i>Finding No. 29 – Office of the Comptroller</i>)	-	Unknown federal programs
Documentation supporting the statewide cost allocation agreement needs improvement. (<i>Finding No. 30 – Office of the Comptroller</i>)	-	Unknown federal programs
Untimely filing of plan of care and level of care documents. (<i>Finding No. 33 – Division of Medical Assistance/ Department of Mental Retardation</i>)	-	Medical Assistance Program 93.778
Vocational Education Program administration matching and maintenance of effort requirements not met. (<i>Finding No. 36 – Department of Education</i>)	\$182,982	Vocational Education Program 84.048
Lack of data to measure earmarking. (<i>Finding No. 37 – Department of Education</i>)	-	Special Education-Grants to States 84.027; Special Education-Preschool Grants 84.173
Maintenance of effort system needs improvement. (<i>Finding No. 38- Department of Education</i>)	-	Title I Program 84.010

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003**

III. Findings and Questioned Costs for Federal Awards (continued)

<u>Noncompliance Findings</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
Inaccurate or incomplete federal reports. (<i>Finding No. 39 – Department of Education, No. 45 – Department of Public Health, No. 56 – Executive Office of Elder Affairs, No. 61 – Department of Transitional Assistance</i>)	-	School Breakfast Program 10.553; Special Programs for the Aging, Title III, Part C 93.045; State Survey and Certification of Health Care Providers and Suppliers 93.777; Food Stamp Program 10.551
Measurement of Title I 15% carryover and the amount reallocated needs improvement. (<i>Finding No. 40 - Department of Education</i>)	\$290,534	Title I Program 84.010
Lack of procedures to assure required minimum distributions are met. (<i>Finding No. 41- Department of Education</i>)	-	Special Education-Grants to States 84.027; Special Education-Grants for Infants and Families with Disabilities 84.181; Improving Teacher Quality-State Grants 84.367
Ineffective case tracking and management system. (<i>Finding No. 43 – DOR/Division of Child Support Enforcement</i>)	-	Child Support Enforcement Program 93.563
COMETS does not comply with federal requirements. (<i>Finding No. 44 – DOR/Division of Child Support Enforcement</i>)	-	Child Support Enforcement Program 93.563
The preparation and filing of the SF 269A report needs to be streamlined. (<i>Finding No. 46 – Department of Public Health</i>)	-	Substance Abuse Prevention and Treatment Block Grant 93.959
Untimely issuance of management decisions for subrecipient audit findings. (<i>Finding No. 47 – Department of Public Health, No. 60 – Executive Office of Elder Affairs</i>)	-	Substance Abuse Prevention and Treatment Block Grant 93.959; Special Programs for the Aging, Title III, Part B 93.044; Special Programs for the Aging, Title III, Part C 93.045
Overspending of penal and correctional facilities earmarking maximum. (<i>Finding No. 48 – Department of Public Health</i>)	\$18,852	Substance Abuse Prevention and Treatment Block Grant 93.959
Medical license number not obtained. (<i>Finding No. 49 – Department of Public Health</i>)	-	Childhood Immunization Grants 93.268
Subrecipient identification and award documents need improvement. (<i>Finding No. 50 – Massachusetts Highway Department</i>)	-	Highway Planning and Construction 20.205

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003**

III. Findings and Questioned Costs for Federal Awards (continued)

<u>Noncompliance Findings</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
Proceeds from the sale of federally-funded property not deposited or transferred on a timely basis. <i>(Finding No. 51 – Massachusetts Highway Department)</i>	-	Highway Planning and Construction Program 20.205
Timeliness of CORI checks needs improvement. <i>(Finding No. 52 – Department of Social Services)</i>	-	Foster Care Program 93.658
The process for home licensing needs improvement. <i>(Finding No. 53 – Department of Social Services)</i>	-	Foster Care Program 93.658
Indirect cost plans not finalized. <i>(Finding No. 57 – Executive Office of Elder Affairs)</i>	\$1,665,976	Nutrition Services Incentive 10.570; Senior Community Service Employment Program 17.235; Eisenhower Professional Development State Grants 84.281; Reading Excellence Act 84.338; Special Programs for the Aging, Title III, Part B 93.044; Special Programs for the Aging-Title IV and Title II, Discretionary Projects 93.048; CMS Research, Demonstrations and Evaluations 93.779; Child Health Services Block Grants to States 93.994
Lack of documentation to support period of availability requirements. <i>(Finding No. 58 – Executive Office of Elder Affairs)</i>	-	Special Programs for the Aging, Title III, Part B 93.044; Special Programs for the Aging, Title III, Part C 93.045
Failure to provide necessary TANF case file verification forms. <i>(Finding No. 62 – Department of Transitional Assistance)</i>	\$18,624	Temporary Assistance for Needy Families Block Grant 93.558
TANF benefit overpayment. <i>(Finding No. 64 – Department of Transitional Assistance)</i>	-	Temporary Assistance for Needy Families Block Grant 93.558
Failure to perform federal tax information match. <i>(Finding No. 65 – Department of Transitional Assistance)</i>	-	Temporary Assistance for Needy Families Block Grant 93.558

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003**

III. Findings and Questioned Costs for Federal Awards (continued)

<u>Noncompliance Findings</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
Outstanding checks need to be transferred to the Office of the State Treasurer's unclaimed check fund or the federal grantee. (<i>Finding No. 66 – Quinsigamond Community College</i>)	-	Federal Pell Grant Program 84.063; Federal Supplemental Educational Opportunity Grants 84.007; Federal Work-Study Program 84.033
Students inappropriately awarded Pell Grants without a documented high school diploma or equivalent. (<i>Finding No. 68 – Roxbury Community College</i>)	\$29,294	Federal Pell Grant Program 84.063
Total Questioned Costs	\$14,071,186	